Canadian Northern Economic Development Agency

Quarterly Financial Report

For the quarter ended September 30, 2012

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates, Supplementary Estimates "A", as well as, Canada's Economic Action Plan 2012 (Budget 2012).

The Canadian Northern Economic Development Agency (CanNor) works to create a diversified, sustainable and dynamic economy across Canada's three territories, which contributes to the nation's prosperity. CanNor fosters growth and development in the North by delivering economic and community development programs and by aligning the efforts of partners and stakeholders to respond to economic opportunities and challenges in the North.

Further details on CanNor's authorities, mandate and program activities may be found in the Report on Plans and Priorities at: http://www.tbs-sct.gc.ca/rpp/2012-2013/inst/ned/ned00-eng.asp, and in the Main Estimates (Part II) http://www.tbs-sct.gc.ca/est-pre/20122013/me-bpd/docs/me-bpd-eng.pdf.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Canadian Northern Economic Development Agency's spending authorities granted by Parliament and those used by the department consistent with the Main Estimates and Supplementary Estimates "A" for the 2012-2013 fiscal year. The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, 2012 after tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-2013 Main Estimates.

In fiscal year 2012-2013, planned reductions that were not included in Main Estimates will be included in Supplementary Estimates "B" to reflect the decrease in spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

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This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

As part of the departmental performance reporting process, the Canadian Northern Economic Development Agency prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

As at September 30, 2012, total authorities available for fiscal year 2012-2013 amounted to $51.8M which is an overall increase of $6.7M from the last fiscal year available amount of $45.1M.

Most of the $6.7M increase relates to contributions funding ($6.6M) for the Northern Adult Basic Education Program (NABEP).

The operating authorities used during the 2012-2013 second quarter decreased by $598K over the same period of 2011-2012, and the year-to-date figures as at September 30 have decreased by $194K. Transfer payments for 2012-2013 have increased on a year-to-date basis by approximately $1.6M over the previous year.

Statement of Departmental Budgetary Expenditures by Standard Object

Compared to the previous year, total budgetary expenditures recorded in the quarter ending September 30, 2012 increased by approximately $430K, from $4.11M to $4.54M.

The increase of $932K in the quarter in transfer payments expenditures is related to payments for the NABEP (new program) which accounts for $700K of the increase, with the remaining $232K related to earlier payments for existing programs.

With respect to the other non-transfer payment reporting objects, the following differences are noted:

There is a decrease in salaries of $440K compared to the previous quarter due to a stabilization of salary costs for the Agency. The decrease of $172K in spending for transportation and communication can be attributed mostly to the decrease in relocation costs of $140K in 2012-2013. As for the rentals and the professional and special services reporting objects, most of the increases in these reporting objects can be attributed to earlier timing of payments made to PWGSC for HR shared services and for rental and accommodation agreements.

Risks and Uncertainties

This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the Main Estimates for which full supply was released on June 6, 2012 and the Supplementary Estimates "A".

Budget 2010 announced that the operating budgets of departments and agencies would be frozen at their 2010-2011 levels for fiscal years 2011-2012 and 2012-2013. The Agency has taken several measures via savings and efficiency gains to address reductions in order to effectively manage financial and human resources within the context of the operating budget constraint.

CanNor delivers on its mandate in a complex environment. Economic development in the North needs to deal with the exigencies of the climate, remote communities, sparse population, dependence on natural resource extraction and associated challenges, such as underdeveloped infrastructure. The North also represents an area of immense opportunity with significant resource development projects underway and a strong contribution to Canada's gross domestic product.

CanNor has identified the following six key risk areas in the 2012-2013 Reports on Plans and Priorities:

- Operational environment
- Human and knowledge capital
- Alignment with priorities and needs
- Relationship with clients, partners and stakeholders
- Public communications
- Legal, statutory and land claims

Further details on these risks and how CanNor plans to manage and mitigate the risks can be found in the Report on Plans and Priorities for the Agency. CanNor monitors expenditures and carries out business planning to ensure that financial risks are mitigated and that program delivery is optimized. Efforts are underway to step up the pace of project review and disbursements of contribution programs in order to reduce the risk of year-end lapses.

Budget 2012 Implementation

This section provides an overview of the cost saving measures announced in Budget 2012 that will be implemented to ensure the government operates as efficiently as possible. The CanNor cost savings measures are focused on modernizing operations and improving efficiency and effectiveness as an organization to help the Agency better serve its clients.

CanNor will achieve Budget 2012 savings of $2.4M by fiscal year 2014-2015 by reducing office space, implementing more efficient business processes, reducing program funding to respond to a degree of overlap and duplication, and more closely aligning resources to its core mandate. These changes will ensure that CanNor has sustainable programs that support economic growth and meet the needs of the North for the long term.

In the first year of implementation (2012-2013), CanNor will achieve savings of approximately $0.2M, by releasing office space to match its accommodation needs.

CanNor's savings will increase to $2.4M in 2013-2014 and will result in ongoing savings of $2.4M in future years.

Significant changes in relation to operations, personnel and programs

Reductions in CanNor's operating budget for 2012-2013, totalling $296K, for amounts transferred to Shared Services Canada ($280K) and PWGSC ($16K) for services provided to CanNor related to informatics services and compensation services respectively, are included in the statement of authorities.

Approved by:

Patrick Borbey
President
Ottawa, Canada
November 13, 2012

Yves Robineau
Chief Financial Officer

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STATEMENT OF AUTHORITIES
(unaudited)

(In thousands of dollars)	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Total available for use for the year ending March 31, 2013* **	Used during the quarter ended September 30, 2012	Year- to- date used at quarter-end	Total available for use for the year ending March 31, 2012*	Used during the quarter ended September 30, 2011	Year-to- date used at quarter-end
Vote 30 - Net Operating	13,953	2,192	4,590	13,867	2,790	4,784
Vote 35 - Transfer payments	36,662	1,960	2,700	30,057	1,028	1,128
Budgetary statutory authorities	1,172	391	586	1,186	296	593
Total Budgetary authorities	**51,787**	**4,543**	**7,876**	**45,110**	**4,114**	**6,505**
Non-budgetary authorities	0	0	0	0	0	0
Total authorities	**51,787**	**4,543**	**7,876**	**45,110**	**4,114**	**6,505**

* *Includes only Authorities available for use and granted by Parliament at quarter-end.*
** *Total available for use does not reflect measures announced in Budget 2012*

Departmental budgetary expenditures by Standard Object (unaudited)

(In thousands of dollars)	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Planned expenditures for the year ending March 31, 2013*	Used during the quarter ended September 30, 2012	Year- to- date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Used during the quarter ended September 30, 2011	Year- to- date used at quarter-end
Expenditures:						
Personnel	8,245	2,141	4,361	8,019	2,581	4,764
Transportation and communications	2,116	226	548	1,624	398	498
Information	300	2	3	32	2	2
Professional and special services	2,114	76	121	2,321	50	56
Rentals	1,350	124	126	895	11	12
Repair and maintenance	50	0	0	2	2	3
Utilities, materials and supplies	200	13	16	196	17	17
Acquisition of land, buildings and works	450	0	0	989	0	0
Acquisition of machinery and equipment	200	1	1	338	24	24
Transfer payments	36,662	1960	2,700	30,057	1028	1,128
Public Debt charges	0	0	0	0	0	0
Other subsidies and payments	100	0	0	637	1	1
Total budgetary expenditures	**51,787**	**4,543**	**7,876**	**45,110**	**4,114**	**6,505**

* *Planned expenditures do not reflect measures announced in Budget 2012*